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SUBJECT: CHINA'S ENGAGEMENT IN TANZANIA

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1. The deep and long-standing Tanzanian-Chinese relationship continues to be characterized by significant trade, diplomatic exchanges and Chinese assistance and investment in Tanzania. Tanzania remains one of China's principal African trading partners and assistance recipients. Ministerial visits in both directions continue in the wake of President Hu Jintao's 2009 visit (ref b). During Commerce Minister Chen Deming's January stop in Dar es Salaam, China proposed new measures to enhance bilateral trade, such as investment protection and avoidance of dual taxation. Chen and Tanzanian counterpart Mary Nagu (Minister of Trade, Industry and Manufacturing) celebrated the growing trade volume (over USD 1 billion in 2008, of which USD 933 million were Chinese exports) and total Chinese direct investments in excess of USD 200 million.

2. Some highlights of Chinese assistance and investment in Tanzania include:

-- Support for rehabilitation of the (Chinese-built) Tanzania Zambia Railway Authority (TAZARA), through a pledge of USD 39 million in soft loans and technical assistance on rail and port operations.

-- A pledge of USD 70 million to construct a second terminal at Zanzibar International Airport.

-- Support for construction of Tanzania's national fiber backbone, through USD 100 million in concessional loans. In 2008, China provided USD 70 million for the first phase of the project, implemented by Chinese company CITCC.

-- Chinese firms have been awarded a significant percentage of construction projects for transportation infrastructure projects, both donor and GOT-funded (see also para 3).

-- In January, Tanzania and China signed a five-year livestock and fishing agreement to promote technology transfer and Chinese investment in aquaculture and livestock projects.

-- There are also unconfirmed reports that China will provide USD 17.5 million for a new agricultural bank to support the GOT's "Kilimo Kwanza" (Agriculture First) initiative.

3. There is no formal Mission coordination with the Chinese Embassy. However, a Chinese company, Sino-Hydro, recently won a USD 53.8 million contract to construct a Millennium Challenge Compact-financed 65 kilometer road between Tanga and Horohoro, on the border with Kenya. Sino-Hydro and one other Chinese firm are among ten pre-qualified companies eligible to bid on several other MCC-financed road projects to be awarded in 2010.

¶4. Potential areas of U.S.-China bilateral cooperation in Tanzania include food security and climate change mitigation.

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